



Review of 1H26 Performance

Fonterra Co-operative Group

May 2026

Important Notice

Declarations

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The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Jonathan Burke B.Com (Hons), Mathew Rooza B.Com, CPA and Maia Trevelyan B.Com. The Northington Partners’ team has a wealth of experience in providing independent corporate finance advice to a wide range of clients.

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1H26 Highlights

1

Strong earnings performance sustained

- Compared to 1H25, reported EBIT from pro forma continuing operations increased by \$20m in 1H26 (+2%) to \$932m. This was driven by favourable product mix and resilient global demand for high value dairy Ingredients and Foodservice products, partially offset by ERP system build costs and an increase in other costs such as energy and freight.
- Fonterra has declared a fully imputed interim dividend of 24 cents per share (22 cents in 1H25) as well as a 16 cents special Mainland dividend (representing 100% of the estimated FY26 profits for the 8 months that Mainland Group has been under Fonterra's ownership). Both the interim and special dividends (totalling 40 cents per share) were paid on 14 April.

2

Reduced performance in Ingredients more than offset by improved Foodservice performance

- Ingredients EBIT from pro forma continuing operations (as if the Mainland Group divestment had already happened) was down \$180m (-26%) to \$560m compared to the same period last year. Conversely, Foodservice EBIT from pro forma continuing operations was up \$200m (+116%) to \$372m.
- The value of protein and fat within the milk price is a key contributor to the relative earnings contributions from both channels. A greater share of the milk price cost uplift witnessed in 1H26 was attributable to protein-based Reference Products (up ~42%) relative to flat prices for fat-based products (AMF and butter) compared to the same period last year. This also highlights that despite the FGMP forecast for FY26 being lower than last year, the average cost of milk in 1H26 was materially higher compared to 1H25.
- The impact of the changing input prices was reflected in markedly reduced operating profit from Core Operations in the Ingredients channel, decreasing \$245m (to \$47m) due to a significant increase in the protein-weighted milk costs. This was offset by a \$65m improvement to the In-market component (up to \$513m), reflecting margin growth and a more favourable product mix.
- The Foodservice channel is on the other hand more sensitive to a fat-oriented product portfolio. Within this channel, Core Operations performed strongly with a \$199m improvement in operating profit (to \$174m) due to a higher sustained margin (improved product pricing and flat fat-weighted milk costs). In-market profitability was up \$1m (to \$198m). Return on capital remains comfortably above the bottom end of Fonterra's 10% - 12% range for both channels, with Ingredients at 11.0% for the half and Foodservice at 12.6%.

3

Significant cash outflow partially offset by favourable working capital position

- As is typical with Fonterra's seasonal profile, free cash flow is generally negative in the first half of the year, with second-half inflows being used to support a significant reduction in debt and gearing over the remainder of FY26.
- Compared to 1H25, the free cash outflow in 1H26 was reduced by \$525m (-25%) to an outflow of \$1,544m. This movement was driven by a \$0.4b improvement in supplier payables (a result of the accelerated advance rate in the prior season) and a \$0.5b improvement in trade working capital, largely due to lower inventory pricing per metric tonne, which was partially offset by volume growth from higher milk collections. These gains were partially offset by higher tax payments of \$0.35b.
- Net debt decreased by \$523m (-10%) to \$4,927m, supported by stronger earnings and a higher supplier payable balance. Consequently, gearing fell from 39.4% to 36.5%, reflecting both the lower debt levels and an increase in retained earnings.

4

Increase in the Forecast Farmgate Milk Price

- Fonterra has lifted its 2025/26 forecast FGMP midpoint by 20 cents to \$9.70 per kgMS (~5% decrease on 2024/2025), with a range of \$9.40 - \$10.00 per kgMS. Whilst emphasising the volatility inherent in the range, partially due to the on-going conflict in the Middle East, the improved forecast FGMP is largely due to an increase in protein-based Reference product prices.

1H26 Highlights (continued)

5

Midpoint Profit guidance upgraded

- Fonterra narrowed earnings guidance from 45 – 65 cents per share to 50 – 65 cents, reflecting an increase of ~5% at the guidance mid-point. This increase is supported by the higher sales volumes forecasted in 2H26, despite some compressed margins due to rising input costs and uncertainty related to the Middle East conflict. Based on Fonterra's dividend policy of paying out 60% - 80% of earnings excluding abnormal gains and its recent dividends being towards the higher end of this range (supported by reduced debt levels), this implies total dividends for FY26 of approximately 40 – 52 cents per share (excluding the Mainland special dividend).
- Given year-to-date EPS from pro forma continuing operations of 35 cents, the updated guidance suggests a lower contribution from 2H26 (15 – 30 cents), factoring in uncertainty related to Middle East conflict, including risks around input cost inflation and shipping disruption.
- In addition, Fonterra reaffirmed its target of returning the business to FY25 earnings levels (EBIT of ~\$1.7b) by FY28 despite the divestment of Mainland Group. This target is supported by cost-out and growth initiatives.

6

Mainland Group update

- Ahead of the 1H26 results, Fonterra announced the sale of Mainland Group to Lactalis for \$4.22b went unconditional, with all regulatory approvals being obtained and the separation of Mainland Group from Fonterra being complete.
- The transaction has subsequently completed with shareholders receiving their \$2.00 per share capital return on 14 April 2026.

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Section 1:
1H26 Results Review

Total Group Financial Performance

Fonterra reported earnings (EBIT) from pro forma continuing operations of \$932m for the half, an increase of \$20m on 1H25. This was driven by a favourable product mix and resilient global demand for high value dairy products, partially offset by ERP system build costs and an increase in other costs such as energy and freight.

NZ\$ Million (Pro Forma Continuing Operations)	1H26	1H25	% Change
Sales Volume ('000 MT)	1,455	1,472	(1%)
Total Revenue	12,328	11,317	9%
Cost of Goods Sold	(10,562)	(9,619)	10%
Gross Profit	1,766	1,698	4%
Gross Margin	14.3%	15.0%	n/a
Operating Expenses	(880)	(858)	3%
Other Items	46	72	(36%)
EBIT	932	912	2%
EBIT Margin	7.6%	8.1%	n/a
Net Finance Costs & Tax	(356)	(336)	6%
Net Profit After Tax (NPAT)	576	576	0%
Pro Forma Adjustments	124	82	51%
Net Profit After Tax (Continuing Ops)	700	658	6%
Net Profit After Tax (Discontinued Ops)	50	71	(30%)
Total Group Net Profit After Tax	750	729	3%
Earnings Per Share (Pro Forma Continuing Ops)	\$0.35	\$0.35	0%
Earnings Per Share (Continuing Ops)	\$0.42	\$0.40	5%
Dividend Per Share	\$0.40 ¹	\$0.22	82%

¹Including a Special Mainland dividend of 16 cents

Our assessment of Fonterra's results for 1H26 is complicated by earnings relating to discontinued businesses (Mainland Group). The divestment of Mainland represents a significant shift in operations, with historic transfer pricing between Mainland Group entities now being less relevant. We have therefore focused on the results for the pro forma continuing operations – this framework assumes Mainland had been divested and the contract pricing arrangements with Lactalis were already in place. This approach for the 1H26 results will also provide better comparability to results in future periods. See the Appendix for a summary of the recent reporting changes.

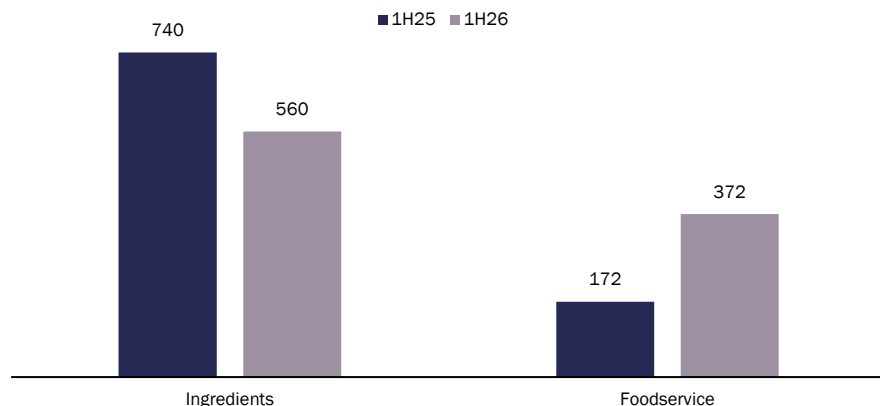
Fonterra delivered another strong earnings result for 1H26, with reported earnings before interest and tax (EBIT) from pro forma continuing operations increasing by 2% to \$932m, despite the \$79m of technology (ERP) upgrade costs and an increase in other costs such as energy and freight.

- Despite a slight decrease in sales volumes, a favourable product mix shift from reference products to higher value non-reference products contributed to a 9% increase in revenue (\$12,328m in 1H26 vs \$11,317m in 1H25).
- In line with the revenue increase, gross profit for 1H26 increased on last year (\$1,766m in 1H26 vs \$1,698m in 1H25), albeit with a slight decrease in the margin (14.3% vs 15.0%). This was driven by favourable product mix and resilient global demand for high value dairy products, more than compensating for lower margins in the Ingredients channel and an increase in other costs such as energy and freight.
- Operating expenses from pro forma continuing operations increased by \$22m (3%), reflecting the \$26m increase in technology (ERP) upgrade costs to \$79m, when compared to 1H25.
- Reported EBIT from pro forma continuing operations was up \$20m (2%) to \$932m.
- Net finance costs & tax from pro forma continuing operations increased by \$20m (6%), largely reflecting a \$17m increase in tax expense due to a one-off tax associated with exiting a product line.
- The resulting reported pro forma continuing operations NPAT for 1H26 was \$576m (35c per share), compared to an equivalent \$576m in 1H25 (35c per share).
- Based on the full year earnings guidance of 50c – 65c per share and the 35c per share reported for 1H26, expected EPS for 2H26 is significantly lower at 15c – 30c per share. This EPS differential between the first half and second half is consistent with historical seasonal variability.
- The Group declared an interim dividend of 24c per share, a 2c increase compared to 1H25. Fonterra also declared a special dividend of 16c per share, reflecting a 100% payout of Mainland earnings for the period up to divestment, giving a total dividend of 40c per share. The interim dividend aligns with Fonterra's full year dividend policy target payout range of 60% to 80%, and is consistent with Fonterra paying out up to 50% of its forecast full year dividend at the half year.

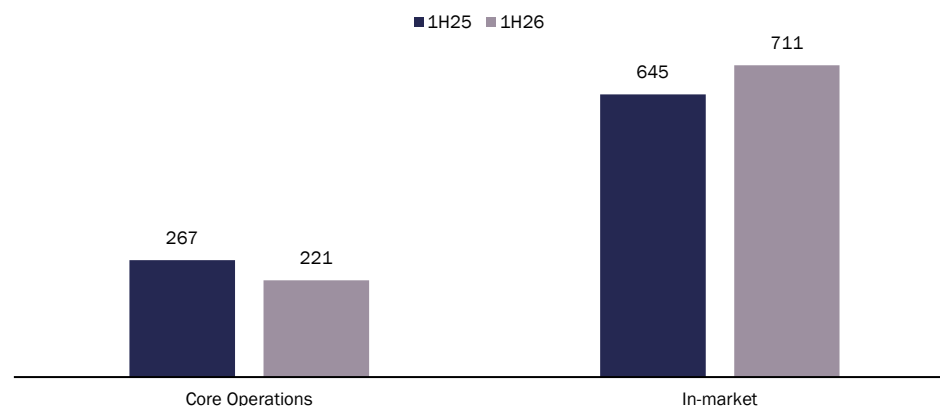
Financial Performance by Channel & Segment

Although price relativities widened when compared to 1H25, earnings from the Ingredients channel decreased due to a higher cost of protein. Foodservice's higher contribution from Core Operations was due to lower input cost for milk.

Pro forma EBIT by Channel (NZ\$ million)



Pro forma EBIT by Segment (NZ\$ million)



There was a material shift in the composition of operating earnings (EBIT) between channels in 1H26 vs 1H25:

EBIT from the Ingredients channel was down by \$180m in 1H26, reflecting the following key factors:

- Lower contribution from Core Operations (-\$245m) as a result of the higher cost of protein being expensed through FY26 relative to the prior year, with protein-based Reference Products up ~42%;
- Lower sales volume as milk shifted to high-value products and management of inventory (-\$10m); and
- Favourable in-market margins due to strong protein prices in Europe and US (\$82m).

Conversely, EBIT for Foodservice was up \$200m, positively impacted by:

- Higher contribution from Core Operations (\$199m), reflecting improved product pricing and flat fat-weighted milk costs;
- Better pricing and product mix supported margins while input cost pressure eased over first half (-\$6m); and
- Improved operating expenses (\$7m) reflect the rationalisation of the residual Consumer business in Greater China.

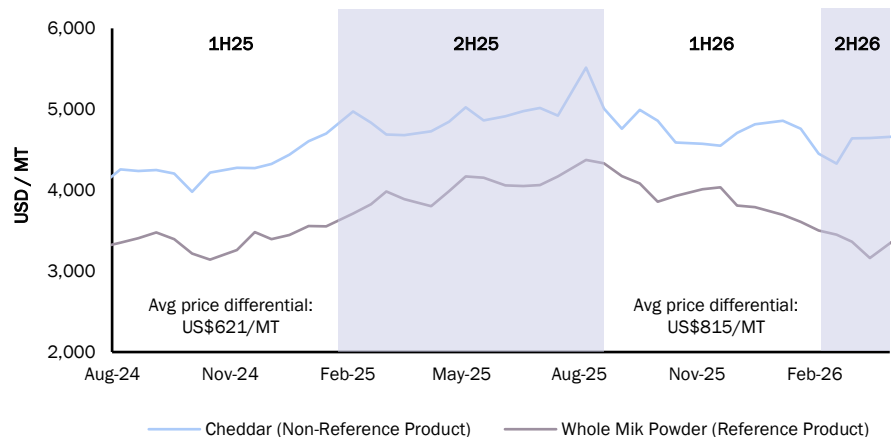
Similar market dynamics led to a shift in earnings contributions across Segments

- Core Operations reported a \$46m decline in EBIT, largely reflecting the \$26m increase in technology (ERP) upgrade costs to \$79m (compared to 1H25) and an increase in other costs such as energy and freight.
- In-market earnings were up \$66m to \$711m, largely due to favourable Ingredients margins in-market.

Price Relativities

Fonterra's Price Relativities for Reference and Non-Reference products widened by ~US\$194/MT compared to 1H25. This benefit plus favourable product mix were however partly offset by Fonterra's financial trading book, resulting in a lower earnings benefit (~2cps vs ~4cps in 1H25).

Price Relativities (Cheddar vs WMP)

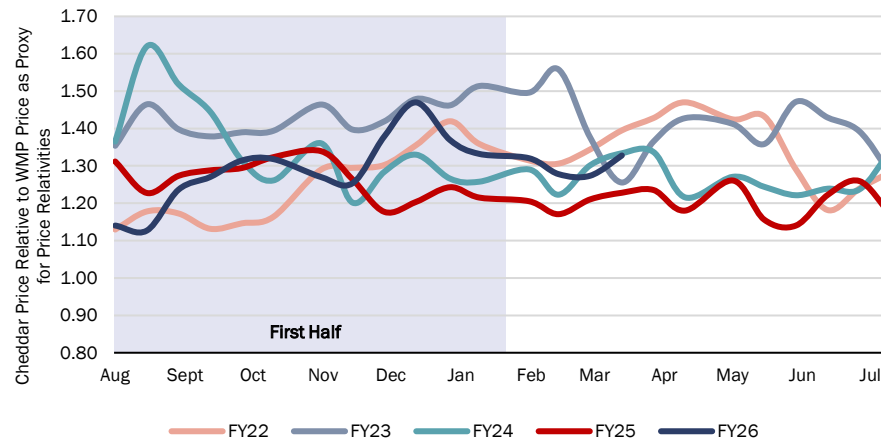


Price Relativities have widened during 1H26. This reflects that the average Reference portfolio prices increased ~5% in USD terms compared to a 9% increase for the Non-Reference portfolio (both vs 1H25). Using the price of cheddar vs WMP as a proxy for the portfolios, 1H26 (1.3x) is tracking higher than FY25 (1.2x).

While price relativities have widened and provided favourable pricing, this was offset by Fonterra's financial trading portfolio. This type of outcome is expected as an increasing volume of Fonterra's financial portfolio is used for hedging purposes (reducing volatility), meaning under an increasing milk price environment, downside risk is reduced but not all upside is captured.

Fonterra noted that the current earnings guidance reflects the net price relativity position to be neutral year-on-year and that the impact of price relativities is likely to be significantly reduced in the future.

Historical Price Relativities (Non-Reference / Reference Product Prices)



Fonterra noted that while price relativities will always be present, the impact to Fonterra earnings will likely be lower than historical periods due to Fonterra's increased ability to lock in margins with customer contracts and hedging, meaning that the Company is therefore less exposed to price volatility. This is largely due to the growing size of the fixed price book being offered to customers (i.e long term fixed price commitments), which grows the use of fixed milk price instruments. For context on the growing financial trading portfolio, Fonterra reported that:

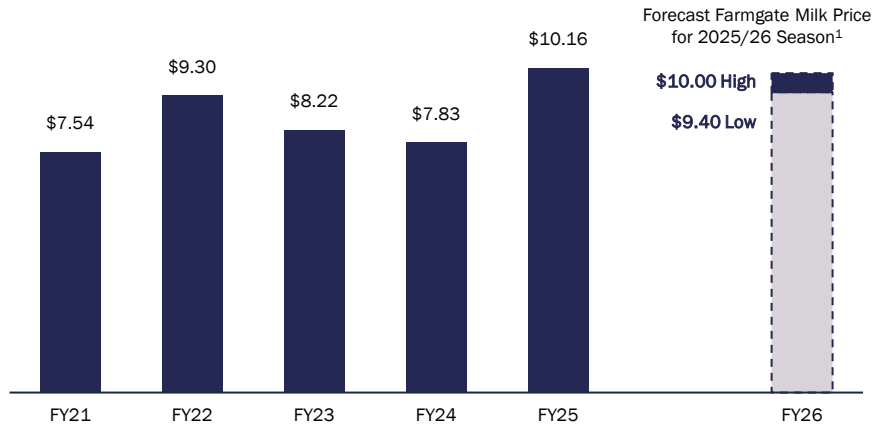
- The portion of Fonterra's book subject to hedging (i.e. where Fonterra locks in margins) is approximately 50% larger than 5 years ago and a more material portion of its Non-Reference book.
- The duration of fixed price contracts varies customer to customer but is generally 6-12 months (none longer than 12 months).

Source: Global Dairy Trade, adjusted forward 3 months to reflect shipment delay. WMP and Cheddar used as proxies for Reference & Non-Reference Products.

Milk Price Range of \$9.40 - \$10.00 per kgMS

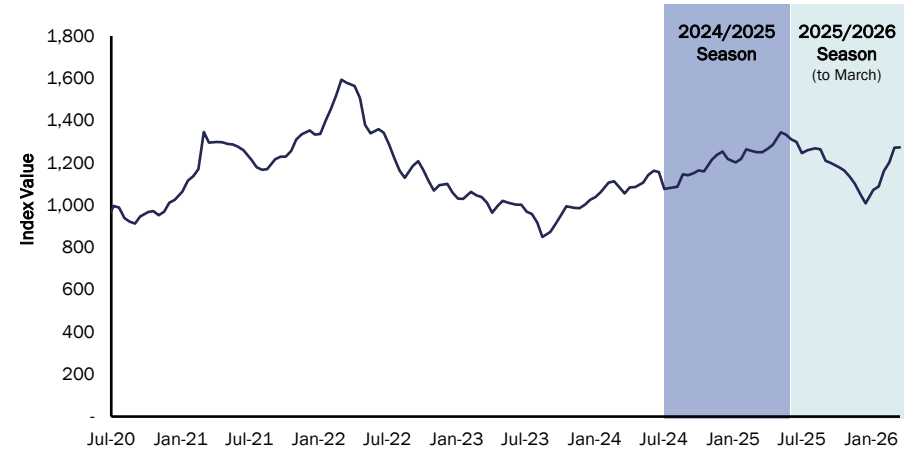
Fonterra has lifted the forecast Farmgate Milk Price mid-point by 20 cents to \$9.70.

Historical Farmgate Milk Price vs 2025/26 Season Forecast



The Farmgate Milk Price range has increased from \$9.20 - \$9.80 to \$9.40 - \$10.00 per kgMS. Whilst emphasising the volatility inherent in the range, partially due to the on-going conflict in the Middle East, the improved forecast FGMP is largely due to an increase in protein-based Reference product prices during February and March.

GDT Price Index



With the end of the 2025/2026 season fast approaching, the mid-point Farmgate Milk Price of \$9.70 per kgMS represents a 20 cents increase on the previous Farmgate Milk Price midpoint of \$9.50. This recent recovery of milk price is largely attributed to:

- An increasing trend in the GDT Price Index as summarised in the chart above (representing the change in prices for both Reference and Non-Reference milk products). This reflects a combination of low skim milk powder stock globally, lower Chinese domestic milk production growth, and declining milk prices in the United States and European Union.
- Fonterra's strong underlying margins and cost control despite significant on-going volatility, particularly as the conflict in the Middle East continues.

¹As per forecast update 23 March 2026

Source: GDT

Financial Position

Compared to 1H25, net debt was down \$523m (-10%) to \$4,927m, supported by stronger earnings and a higher supplier payable balance. Consequently, gearing fell from 39.4% to 36.5%, reflecting both the lower debt levels and an increase in retained earnings.

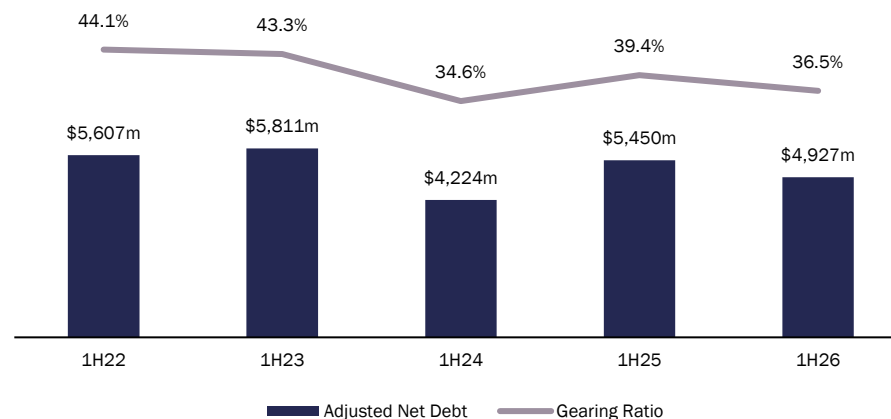
Fonterra's net debt has decreased by \$523m compared to 1H25 (\$4,927m in 1H26 vs \$5,450m in 1H25). The lower debt position largely reflects stronger earnings and a higher supplier payable balance (\$3,074m at 1H26 vs \$2,461m at 1H25). Inventories have decreased by \$1,316m (16%) when compared to 1H25 (\$6,733m in 1H26 vs \$8,049m in 1H25).

As a result of the lower net debt, gearing levels have also decreased to 36.5% at 1H26 vs 39.4% at 1H25. With the first half typically representing a seasonal peak in debt levels, Fonterra is expected to have improved financial flexibility and debt headroom at the end of FY26.

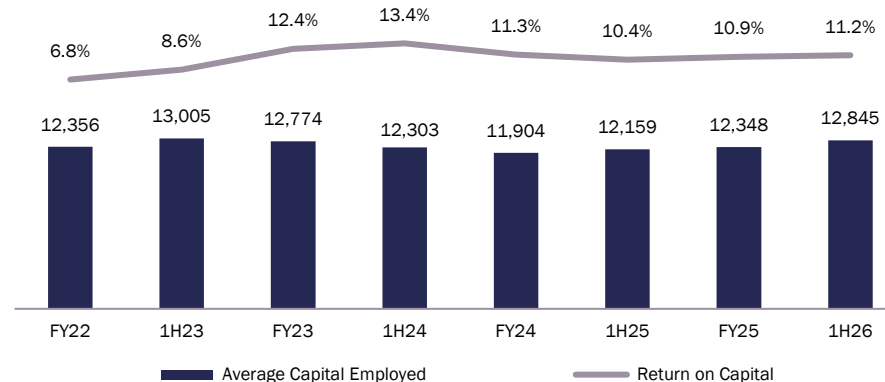
Return on capital ("ROC") has increased to 11.2% in 1H26, higher than the 10.4% achieved in 1H25. 1H26 ROC includes Mainland Group return on capital of 9.2%, up from 7.1%.

NZ\$ Million	1H26	1H25	% Change
Assets			
Cash and Cash Equivalents	117	218	(46%)
Receivables	1,912	2,499	(23%)
Inventories	6,733	8,049	(16%)
Other Current Assets	5,049	356	1318%
PP&E	5,661	6,394	(11%)
Intangible Assets	787	1,779	(56%)
Other Non-Current Assets	824	1,053	(22%)
Total Assets	21,083	20,348	4%
Liabilities			
Payables	5,379	5,353	1%
Current Borrowings	1,209	1,793	(33%)
Other Current Liabilities	1,238	799	55%
Non-Current Borrowings	4,115	4,163	(1%)
Other Non-Current Liabilities	356	242	47%
Total Liabilities	12,297	12,350	(0%)
Net Assets	8,786	7,998	9%
Equity Attributable to Co-op	8,706	7,916	10%

Adjusted Net Debt (NZ\$ million) and Gearing Ratio (%)



Historical Return on Capital (Based on Fonterra Estimates)¹



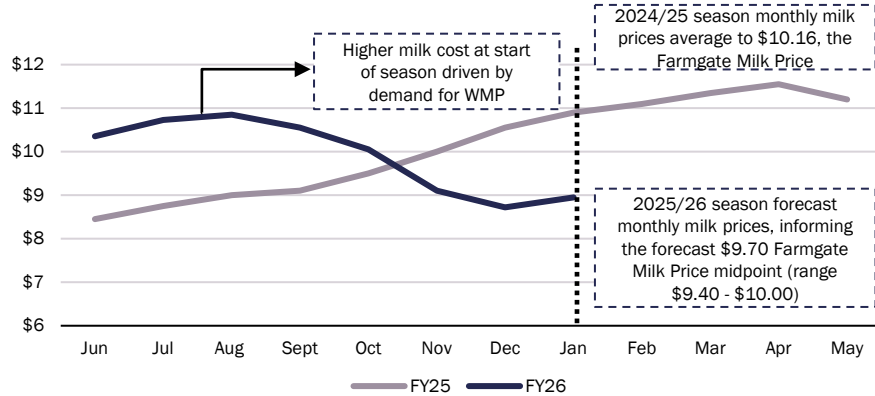
¹ Rolling twelve months.

ROC from FY24 based on fully imputed dividends (higher Fonterra tax expense) resulting in a lower ROC compared to prior periods.

Full year FY26 Outlook

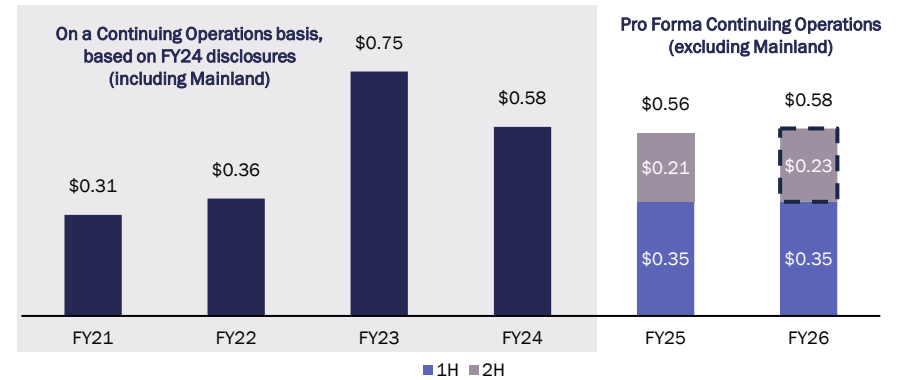
Fonterra narrowed earnings guidance from 45 - 65 cents per share to 50 – 65 cents, reflecting an increase of 5% at the guidance mid-point and implying a lower 2H26 earnings contribution of 15 – 30 cents per share. This increase is supported by the higher sales volumes forecasted in 2H26, despite some compressed margins due to rising input costs and uncertainty related to the Middle East conflict.

Monthly Milk Prices (NZ\$ per kgMS)



Despite the forecast FGMP for the current season being lower than last season, the average cost of milk was materially higher in the first half of 1H26 relative to 1H25. This was primarily driven by an increase in protein-based Reference product prices (up ~42%) relative to flat prices for fat-based products (AMF and butter) compared to the same period last year, meaning a greater share of the milk cost uplift is in the protein component. The value of protein and fat within the milk price is a key contributor to the relative earnings contributions from both channels.

Normalised Earnings Per Share for 1H26 and Projection for 2H26¹



Fonterra narrowed its earnings guidance from 45 - 65 cents per share to 50 – 65 cents per share (mid-point of 57.5 cents per share). The guidance implies EPS for the second half of 15 – 30 cents per share, lower than the 1H26 outcome largely as a result of the following factors:

- First half pro forma continuing operations earnings of 35c, and forecasting for a slightly lower 2H26;
- Higher sales volumes in 2H26 forecasted, with some compression of margins due to rising input costs; and
- Uncertainty related to the Middle East conflict, including risks around input cost inflation and shipping disruption.

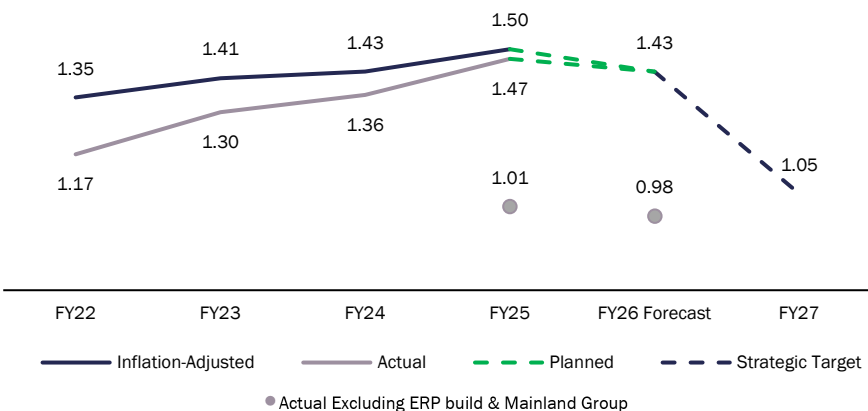
Source: Extract from Fonterra's 1H26 Presentation

¹ FY26 and 2H26 based on midpoint forecast earnings range of 50c – 65c per share. FY25 sourced from FY25 disclosure

Operational Efficiency Metrics

Fonterra reports on two efficiency targets focusing on operating costs and manufacturing costs per kgMS. These efficiency metrics were introduced as part of Fonterra’s drive to enhance efficiencies and reduce its cost base.

Cash Operating Expenses per kgMS Collected

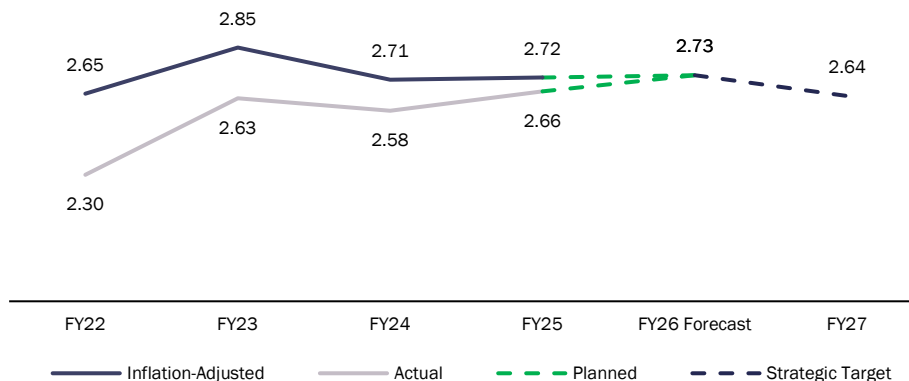


Cash operating expenses represent the global overheads of the Group and include head office, selling, marketing, storage and distribution costs. In order to objectively assess cost efficiencies relative to varying milk volumes, the cash operating costs are assessed per kgMS of New Zealand and Australia milk solids collected.

Total cash operating expenses (excluding ERP & Mainland Group) in FY26 are forecast at \$0.98 per kgMS, \$0.14 lower than Fonterra’s FY26 strategic target of \$1.12 per kgMS and \$0.03 lower than the \$1.01 per kgMS achieved in FY25.

The information provided by Fonterra (illustrated in the chart above) implies Fonterra has \$0.07 headroom in nominal operating expenses on a per kgMS basis to achieve its strategic target by FY27.

Core Operations Manufacturing Cash Costs per kgMS NZ Milk Collections



This metric measures the manufacturing performance of Fonterra. It is aimed at measuring targeted efficiencies in the core New Zealand processing and manufacturing cost base to improve gross profit margins on each kgMS. These costs largely represent materials, labour, energy & packaging and the other costs directly incurred in processing milk products to the point of sale. The measure has intentionally excluded the cost of milk (i.e. the FGMP) which is out of Fonterra’s control and is assessed per kgMS of New Zealand milk solids collected.

The core manufacturing costs per kgMS NZ milk collections in FY26 are forecast at \$2.73 per kgMS, \$0.11 higher than Fonterra’s FY26 strategic target of \$2.62 per kgMS and \$0.01 higher than the \$2.72 per kgMS outcome in FY25 (inflation-adjusted). The higher forecasted cost in FY26 is due to higher input costs including lactose and additional secondary processing costs, partially offset by higher milk solids collections and ongoing efficiency gains.

The information provided by Fonterra (illustrated in the chart above) implies a ~3% decrease in nominal operating expenses on a per kgMS basis by FY27. This suggests ongoing manufacturing efficiencies are expected over the medium term when backing out an allowance for future inflation. Fonterra confirmed it is reviewing its approach to lifting manufacturing performance as it works back toward the strategic targets.



Section 2:
Mainland Group Analysis

Mainland Group Performance

Mainland Group reported pro forma earnings (EBIT) of \$299m for the half, an increase of \$104m on 1H25. Improved earnings were due to higher sales volumes, inventory revaluations and easing input costs.

NZ\$ Million (Mainland Group Pro Forma)	1H26	1H25	% Change
Sales Volume ('000 MT)	272	251	8%
Total Revenue	3,283	2,923	12%
Cost of Goods Sold (excl. D&A)*	(2,655)	(2,354)	13%
Gross Profit	628	569	10%
Gross Margin	19.1%	19.5%	n/a
Operating Expenses (excl. D&A)*	(347)	(334)	4%
Other	21.0	15.0	40%
EBITDA	302	250	21%
Depreciation and amortisation	(3)	(55)	(95%)
EBIT	299	195	53%
EBIT Margin	9.1%	6.7%	n/a
Net Finance Costs & Tax	(125)	(42)	198%
Net Profit After Tax (NPAT)	174	153	14%
Normalisation adjustments (EBIT)	36	40	(10%)
Normalised EBIT	335	235	43%
Normalisation adjustments (NPAT)	90	40	125%
Normalised NPAT	264	193	37%
Dividend per Share	\$0.16		
Return on Capital	9.2%	7.1%	30%
Average capital employed	3,076	2,956	4%

Mainland's improved performance is due to tailwinds from higher volumes, inventory revaluations and easing input costs.

- Fonterra communicated approximately half of Mainland Group's improved earnings is due to the Australian ingredient's operations, with lower milk prices in the period leading to lower input costs and inventory revaluations. Because the Australian FGMP is not necessarily representative of prevailing global dairy commodity prices, exchange rates and commercial processing returns, domestic milk prices have a significant bearing on Fonterra Australia's performance (and other processors), as summarised in the table below:

Fonterra Australia Performance	FY21	FY22	FY23	FY24	FY25	1H26
Reported EBIT	74	106	75	79		
Avg Milk Price (AUD per kgMS)	6.53	7.40	9.57	9.20	8.15	8.90 ¹
NZ FGMP (NZ\$ per kgMS)	7.54	9.30	8.22	7.83	10.16	~9.70

Assuming the long-term Australian FGMP is consistent with international dairy commodity prices, we believe it is unlikely this improvement in the Australia business can be maintained in the long term.

- The remaining earnings improvement is due to margin growth within South East Asia (consumer channel), as a result of the lower historical milk price.
- Mainland Group achieved a return on capital for the period of 9.2%², up from 7.1%, but below Fonterra's target range of 10% - 12%.
- As communicated by Fonterra, the special Mainland Group dividend of 16c per share reflects a 100% payout of Mainland Group's earnings.

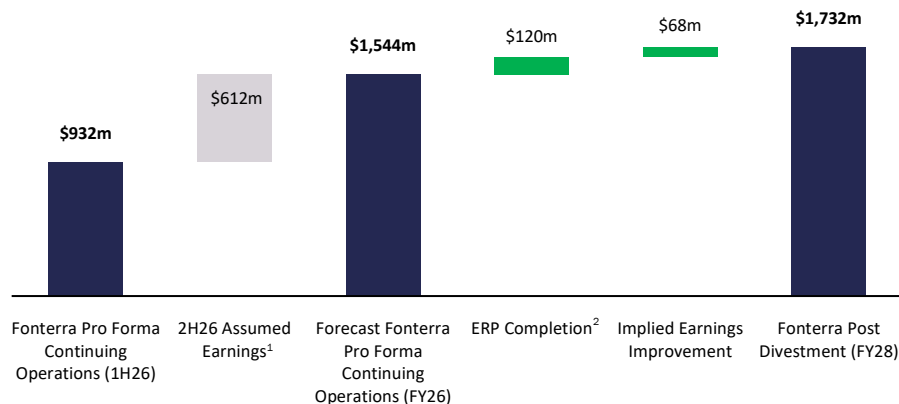
¹ Revised weighted average Fonterra Australian milk price for the 2025/26 season as at 26 May 2025.

² Rolling twelve months.

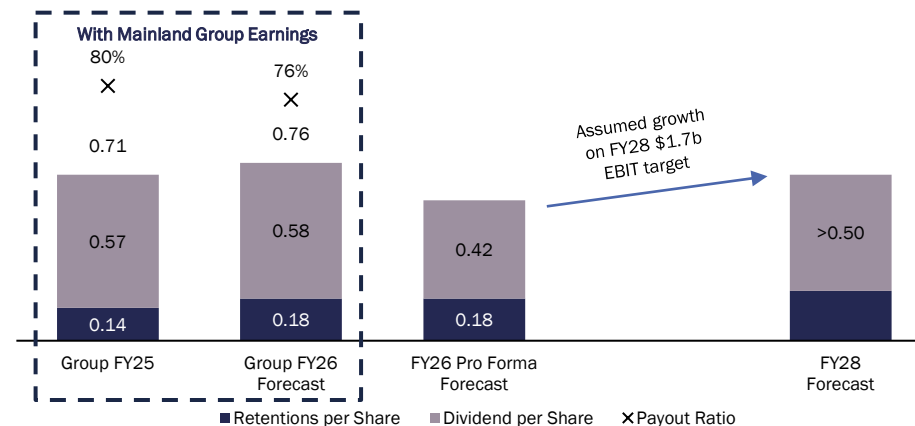
Post Divestment Fonterra Earnings Outlook

Fonterra reaffirmed its target of returning the business to FY25 earnings levels by FY28 (EBIT of ~\$1.7b) despite the divestment of Mainland Group, supported by cost-out and growth initiatives.

Post Divestment Earnings Outlook and Indicative Contributions



Post Divestment Earnings and Dividend per share



The divestment of Mainland Group will result in an immediate decrease in total earnings, as reflected in Fonterra's pro forma continuing operations.

We assume FY26 pro forma earnings of 60c per share, towards the upper end of Fonterra's 50-65c per share guidance. This excludes the 16c per share contribution from Mainland Group. Based on Fonterra's target to achieve FY25 EBIT of \$1,732m by FY28 and assuming a dividend payout within Fonterra's policy to distribute 60%-80% of Reported Net Profit After Tax (excluding abnormal gains), we estimate that dividends should exceed 50c per share by FY28. The ultimate earnings and dividends will depend on performance expectations being met and the level of debt funding incurred to meet Fonterra's capital expenditure plans.

Fonterra reaffirmed its target of returning the business to FY25 earnings levels (EBIT of ~\$1.7b) by FY28 despite the divestment of Mainland Group, supported by cost-out and growth initiatives. Achieving EBIT of ~\$1,732m (as reported in FY25) by FY28 will require ~5.4% EBIT growth per year relative to Fonterra's pro-forma continuing operations FY25 EBIT of \$1,480m, or ~5.9% based on our estimate of FY26 earnings. We note the following in relation to this target:

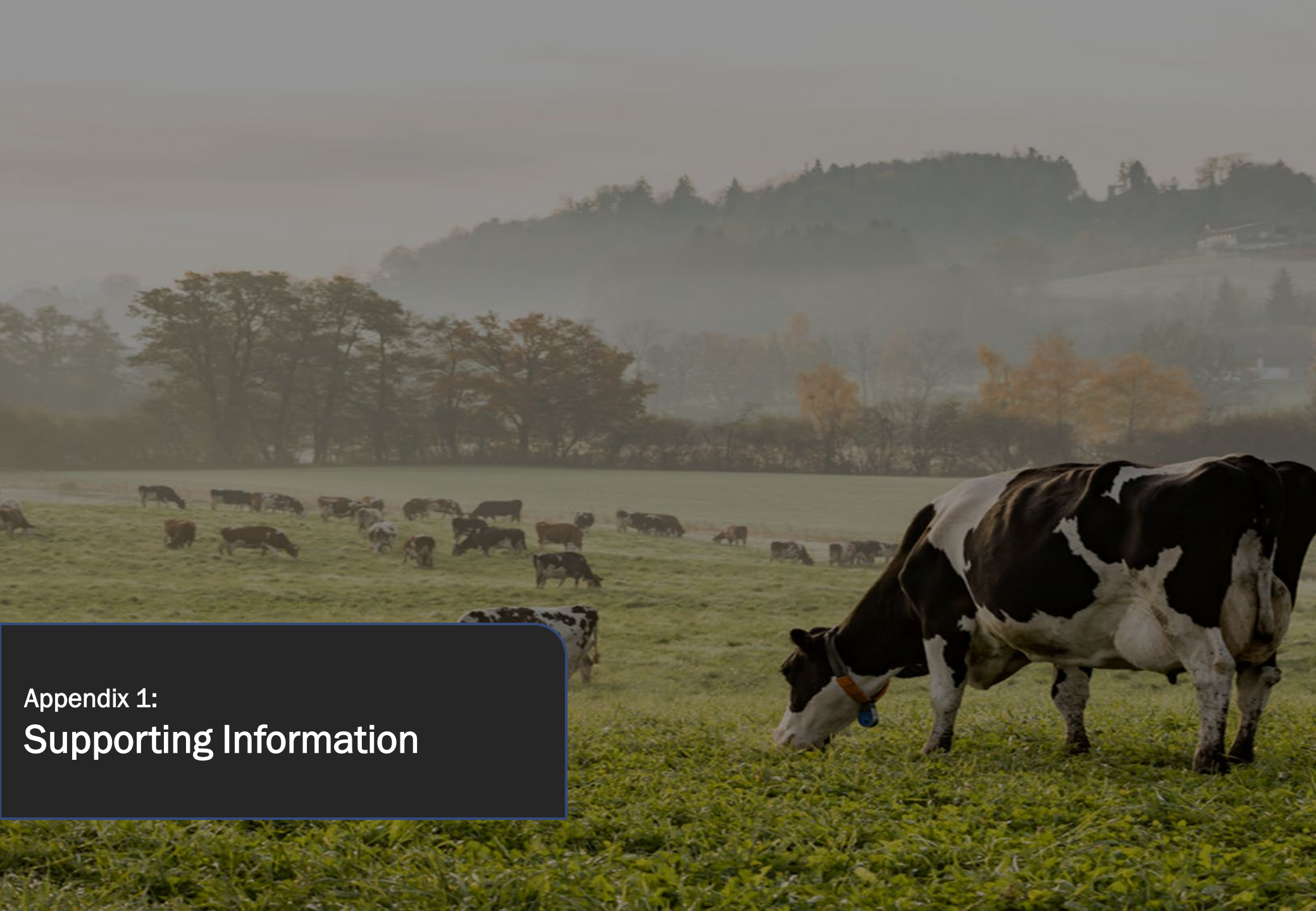
- Significant earnings improvement will be derived from completion of the current ERP upgrade by FY28 and the related reduction in expenses. This expense totalled \$123m in FY25, and is expected to peak in FY26/27, totalling \$240m across the 2 periods.
- Fonterra also expects that substantial earnings growth will be driven by ongoing operating efficiencies and expected cost savings in a simplified business. Investment in recent and future growth initiatives should reasonably be expected to contribute to increased earnings.

Our break-down of the potential contributors to earnings improvement is summarised in the chart above. After accounting for the expected operating cost reductions, we believe that the level of earnings improvement needed to reach the target earnings by FY28 should be readily achievable.

This level of FY28 earnings and our estimate of forecast capital employed by FY28 of ~\$10bn should also deliver an outcome towards the upper end of Fonterra's 10% - 12% return on capital target.

¹ Northington Partners analysis, assuming FY26 pro forma earnings of 60c per share (the upper end of Fonterra's 50-65c per share guidance).

² Northington Partners estimates.

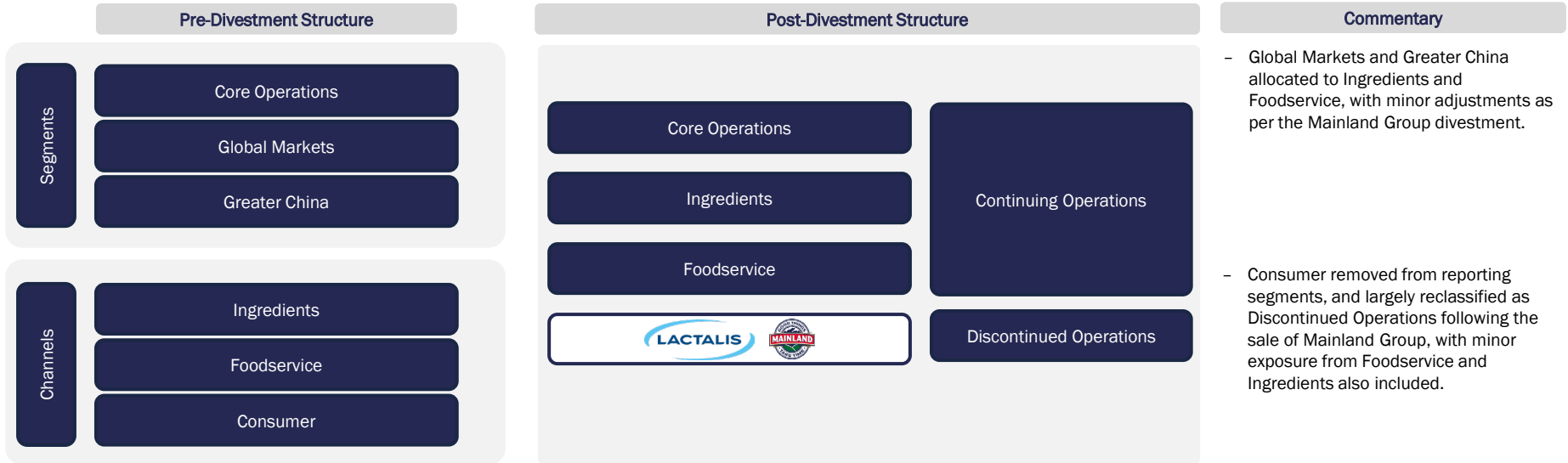


Appendix 1:
Supporting Information

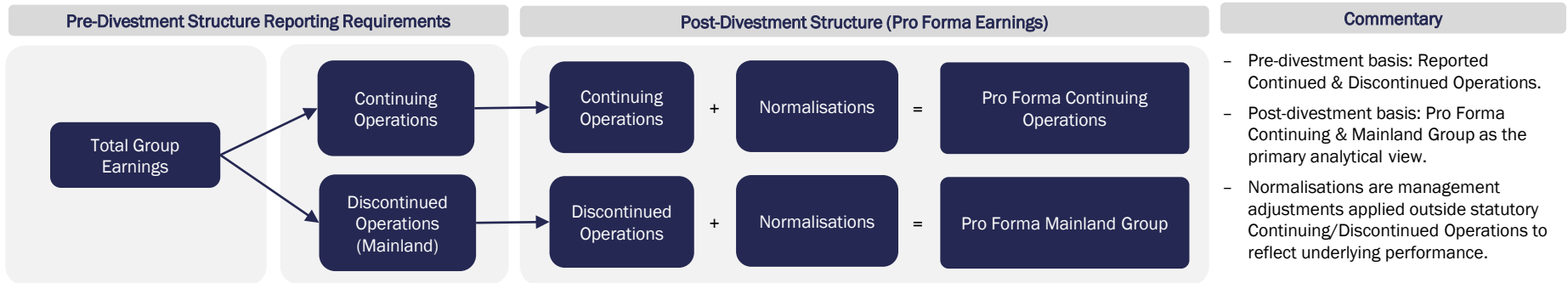
Reporting Changes

Following the divestment of the Mainland Group, reporting has been refined to better reflect the performance of the continuing business.

Segment & Channel Changes



Earnings Reporting Changes



Continuing and Discontinuing Operations

NZ\$ Million	6 Months to 31 January 2026			6 Months to 31 January 2025		
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
Sales Volume ('000 MT)	1,455	272	1,727	1,472	251	1,723
Total Revenue	12,464	1,454	13,918	11,400	1,192	12,592
Cost of Goods Sold	(10,580)	(944)	(11,524)	(9,631)	(733)	(10,364)
Gross Profit	1,884	510	2,394	1,769	459	2,228
Gross Margin (%)	15.1%	35.1%	17.2%	15.5%	38.5%	17.7%
Operating Expenses	(880)	(350)	(1,230)	(858)	(350)	(1,208)
Other Items	46	21	67	72	15	87
Reported EBIT	1,050	181	1,231	983	124	1,107
Reported EBIT Margin (%)	8.4%	12.4%	8.8%	8.6%	10.4%	8.8%
Normalisations	(124)	214	90	(82)	122	40
Normalised EBIT	926	395	1,321	901	246	1,147
Reported Net Profit After Tax	700	50	750	658	71	729
Normalisations (post tax adjustments)	(124)	214	90	(82)	122	40
Normalised Net Profit After Tax	576	264	840	576	193	769

FY26 Integrated Scorecard

Key Performance Indicator (KPI)		FY24 Actual	FY25 Actual	FY26 Scorecard	FY26 YTD
People	Serious harm ¹	16	6	5	1
	Quality of post-Health, Safety and Wellbeing incident actions	0.41	0.40	0.6	0.51
	Culture Measure	79	81	80	79
Nature	GHG emissions (Scope 1,2) ²	(18.5)%	(20.7)%	(26.7)%	(26.1)%
	Additional percentage of New Zealand supplying Farms achieving Emissions Excellence	-	(2.2)%	6% ³	-
Relationships	Share of New Zealand milk collected for the season to 31 May	78.1%	77.8%	78%	77.8%
	Delivered in full, on time (DIFOT, at time of arrival)	66.1%	73.7%	77%	81.5%
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real) ⁴	1.43	1.50	1.41	1.43
	Core Operations manufacturing cash costs per kgMS (real) ⁵	2.71	2.74	2.65	2.73
	Return on capital (FY)	11.3%	10.9%	10% - 12%	On track
	Farmgate Milk Price (\$)	7.83	10.16	9.00 - \$11.00	9.40 - \$10.00⁶
Alignment Rights	Total shareholder return (Volume weighted average share price plus distributions (dividend, capital returns)) ⁷	\$2.66 (\$0.55)	\$4.70 (\$0.57)	Not Available	\$5.34 (TBC)
	On-farm profitability (\$ per hectare) ⁸	\$2,845	Not Available	Not Available	Not Available

1. Includes Contractors.

2. Relative to FY18 Baseline. Scope 1&2 including farms under Fonterra operational control.

3. Additional 490 farms with minimum of 270 reducing footprint. FY26 performance available at completion of season.

4. Based on New Zealand and Australia milk solids. Excludes divestment-related costs. Restated to FY26 base year.

5. Based on New Zealand milk solids collected. Excludes the cost of milk. Restated to FY26 base year.

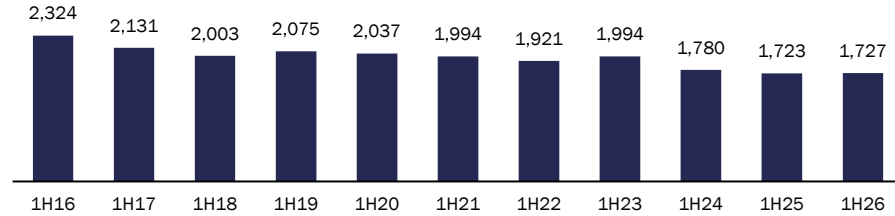
6. Latest Forecast Farmgate Milk Price announced 23 March 2026 with midpoint of \$9.70 per kgMS.

7. For the period 1 October to 30 September. As an indication, FY26 YTD is the 12-month VWAP to 30 January 2026.

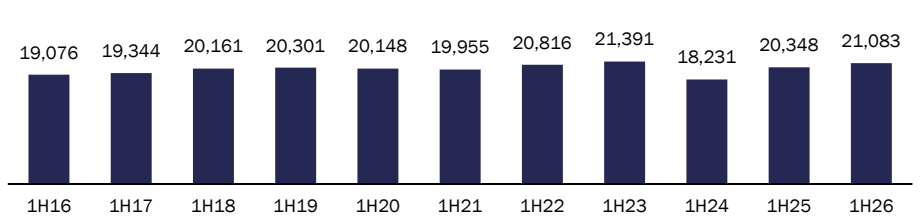
8. DairyNZ Economic Survey 2023-2024 (Owner-Operator). Publication of 2025 survey expected in July 2026.

Historical Financial Information

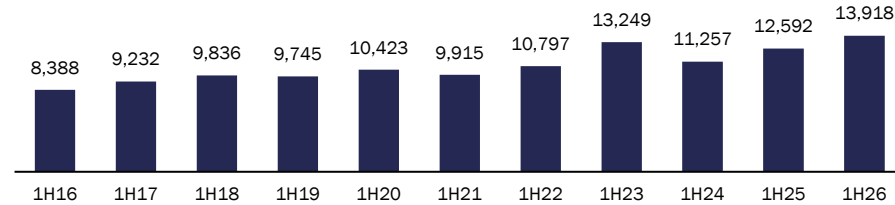
Sales Volume ('000 MT)



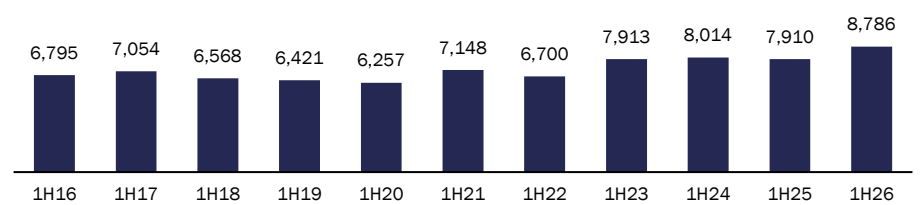
Total Assets (NZ\$ million)



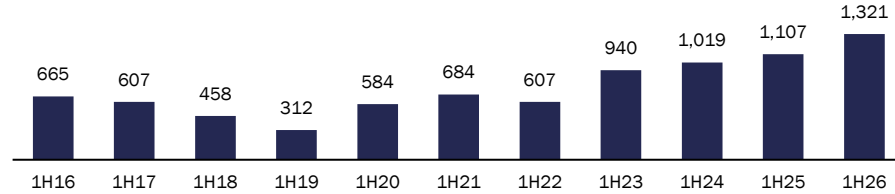
Revenue (NZ\$ million)



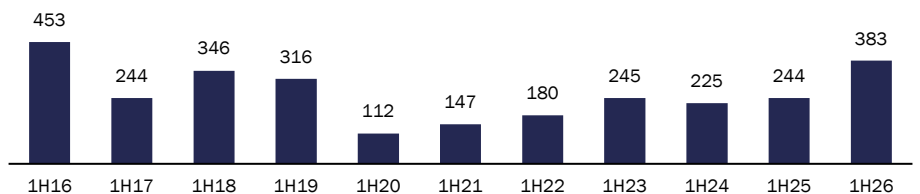
Total Equity (NZ\$ million)¹



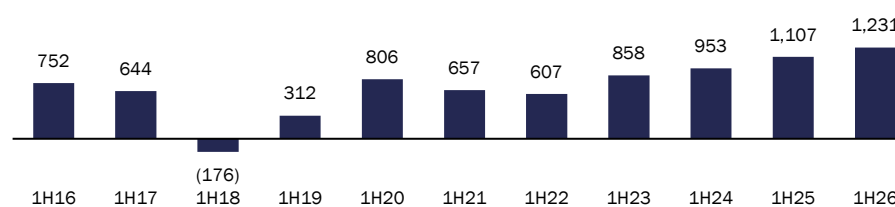
Normalised EBIT (NZ\$ million)



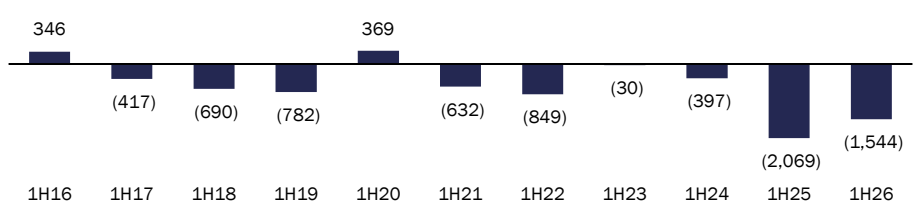
Capital Expenditure (NZ\$ million)



Reported EBIT (NZ\$ million)



Free Cash Flow (NZ\$ million)

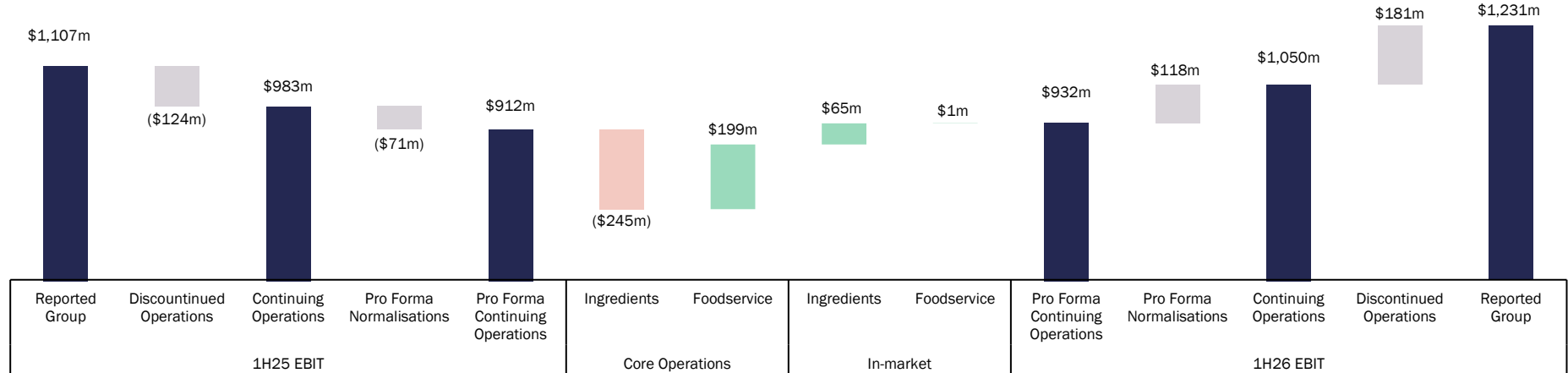


¹Excluding non-controlling interests

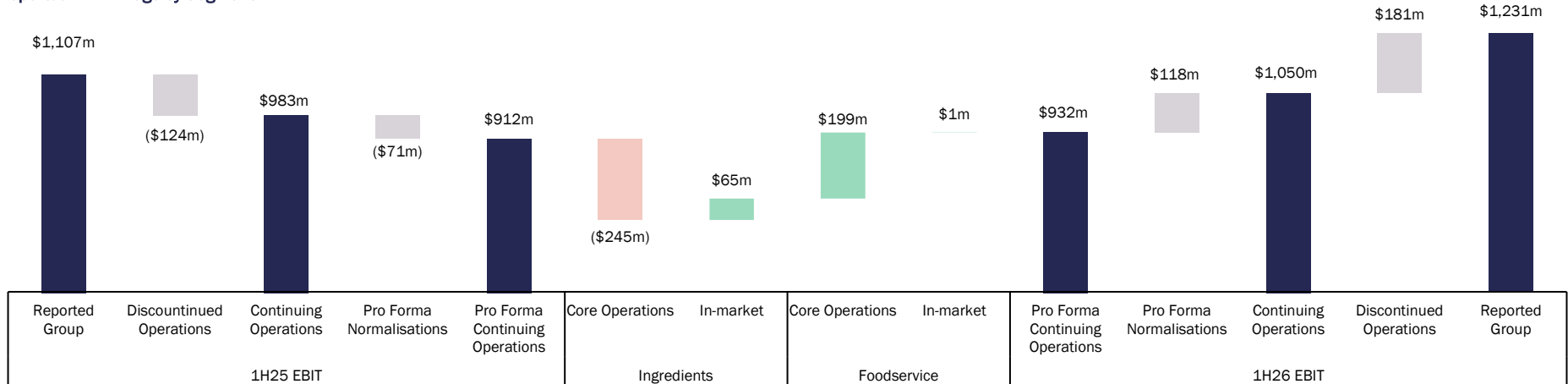
Note: Includes continued & discontinued operations where known

Reported EBIT Bridge by Segment and Channel

Reported EBIT Bridge by Channel



Reported EBIT Bridge by Segment



Abbreviations & Definitions

Term	Definition
CAGR	Compound average growth rate
Capex	Capital expenditure
Co-op, Group or the Company	Fonterra Co-operative Group Limited
CY	Calendar year ending 31 December
DIRA	Dairy Industry Restructuring Act
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
ESG	Environmental, social and governance
FCG	Shares in Fonterra Co-operative Group Ltd (FCG.NZ)
FGMP	Farmgate Milk Price
FSF	Shares in Fonterra Shareholders' Fund (FSF.NZ)
Fund	Fonterra Shareholders' Fund (FSF.NZ)
FY	Financial year ending 31 July
GDT	Global Dairy Trade
kgMS	Kilograms of milk solids
Mainland or Mainland Group	The business being sold to Lactalis, combining the integrated businesses in Oceania and Sri Lanka with the global Consumer channel (excluding-China) and the MEA Foodservice business
MT	Metric tonnes
NPAT	Net profit after tax
Non-Reference Products	Products that are not included in the calculation of the Farmgate Milk Price
NTM	Next Twelve Months
NWC	Net working capital
NZD	New Zealand dollars
PP&E	Plant, property and equipment
Price Relativities	Refers to the difference in the weighted average price (in USD) between the Reference Product portfolio and Non Reference Product portfolio
Reference Products	Includes commodity products and groups that are included in the calculation of the Farmgate Milk Price
Share Standard	Means one share per one kgMS supplied
ROC or ROCE	Return on capital employed
SMP	Skim milk powder
TSR	Total shareholder return
USD	United States dollars
WACC	Weighted average cost of capital
WMP	Whole milk powder



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